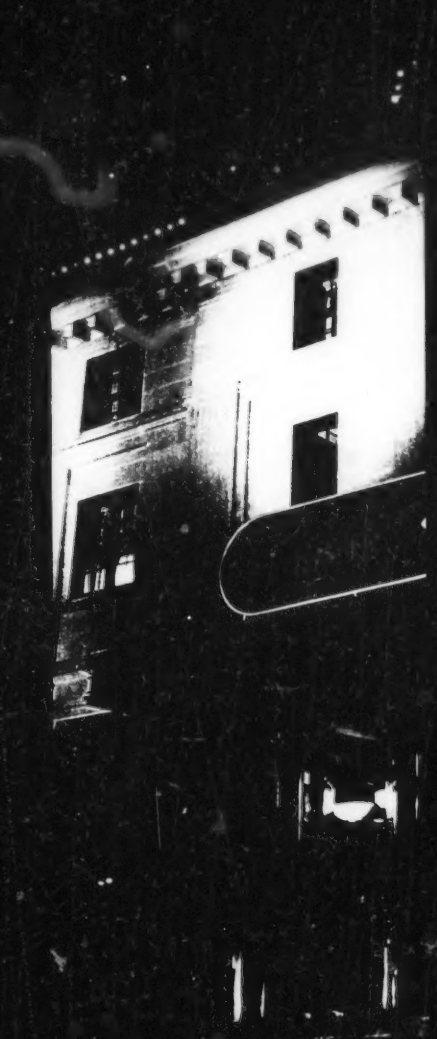

SASKATCHEWAN GAMING CORPORATION

ANNUAL REPORT 2000 / 2001

OPERATING AS

Casino Regina

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CORPORATE OVERVIEW

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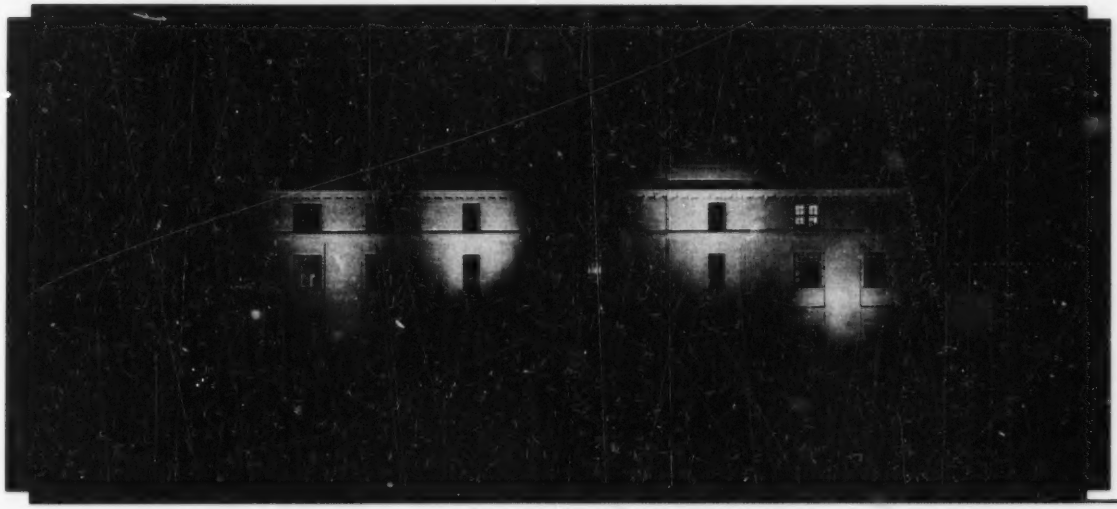


The Saskatchewan Gaming Corporation is a Treasury Board Crown Corporation established by The Saskatchewan Gaming Corporation Act, 1994. It was created to operate casino gaming in partnership with the Federation of Saskatchewan Indian Nations under an historic agreement that provides for joint management and revenue sharing.

The corporation is responsible to the Saskatchewan government through a Board of Directors appointed by Cabinet. Three members of the corporation's Board of Directors are nominated by the Chief's Legislative Assembly of the Federation of Saskatchewan Indian Nations.

The corporation operates Casino Regina under the regulatory authority and supervision of the distinct and separately constituted Saskatchewan Liquor and Gaming Authority.

Casino Regina opened to the public on January 26, 1996. It is a full-service entertainment facility that employs more than 600 people. Casino Regina has 620 slot machines and 37 table games, a restaurant and Show Lounge offering live entertainment, and a gift shop. Casino Regina is open to the public seven days a week from 9 a.m. to 4 a.m. More information about Casino Regina can be found on our website, at www.casinoregina.com.

Mandate

To offer casino gaming as an entertainment option - generating quality employment, economic development and profit for Saskatchewan people, in partnership with First Nations.

Mission

To provide quality entertainment in a fun, friendly and exciting atmosphere.

Vision

To be a leading full-service casino committed to excellence, with a strong, proud, diverse team.

Values

Our Guests
We believe that the continued success of Casino Regina depends on providing excellent customer service and consistently offering fun, friendly and exciting entertainment in a first-class heritage facility.

Our Diversity
We are proud of our historic partnership agreement with the Federation of Saskatchewan Indian Nations. We respect cultural and individual diversity and are proud to have one of the most culturally diverse workplaces in the province. We are committed to providing a safe, positive workplace where patrons and staff are treated with dignity and respect. Fundamental to that commitment is a policy of zero tolerance of harassment.

Our Profitability
We will continue to work hard to steadily improve our profitability in a socially responsible manner and with full public accountability.

Our Staff
We believe that the key to providing excellent customer service is having friendly, motivated employees who take pride in their workplace and their jobs. To accomplish this goal we provide excellent wages and benefits, great training and opportunities for career advancement. We encourage innovation, open communication and teamwork.

Our Community
We are proud that all of our profits are invested in Saskatchewan communities. We take pride in being a good corporate citizen and working with local business and tourism partners to provide indirect and direct economic spin-offs and to improve the quality of life in our community.

Our Social Responsibility
We have a commitment and responsibility to operate our gaming facility with integrity in a socially responsible and safe manner.

MINISTER'S LETTER OF TRANSMITTAL

Regina, Saskatchewan
June, 2001

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of Saskatchewan

Your Honour:

I am pleased to submit the annual report of the Saskatchewan Gaming Corporation for the period ending March 31, 2001. This report includes the financial statements in the form required by Treasury Board and in accordance with the Saskatchewan Gaming Corporation Act, 1994.

Although I have been the Minister responsible for the Saskatchewan Gaming Corporation only since February, 2001, I have quickly come to appreciate the great progress Casino Regina has made in several areas of its operations. Casino Regina is leading the way for other government and private sector organizations in its commitment to employment equity, and has earned recognition from the Saskatchewan Human Rights Commission for its efforts in nurturing a workforce of qualified employees that reflects the diversity of our society and our partnership with the FSIN.

Our community and our province will derive even greater benefits in the future, as Casino Regina will soon add an entertainment centre to its offerings and open a learning and development centre for staff training. As one of my first acts as the new Minister, I was pleased to announce that Regina won its bid to host the 2002 Canadian Gaming Conference, beating out three other cities in the process. The conference will bring an estimated $1.7 million in additional economic activity to Regina, an early dividend resulting from the casino expansion.

I am pleased to report that Casino Regina earned a net profit in 2000/2001 of $22.7 million. All of this profit stays in the province to help Saskatchewan people. The casino also contributes over 600 quality jobs in the community; jobs that continue to create vital economic spin-offs that generate ongoing dividends for the community.

I would like to close by applauding Casino Regina employees for their volunteer work with a wide variety of non-profit organizations. I would also like to thank my predecessor, the Honourable Joanne Crofford, for making the transition into my new responsibilities a smooth and easy one.

Respectfully submitted,

Kim Trew

Kim Trew
Minister Responsible for the Saskatchewan Gaming Corporation

CHAIR OF THE BOARD'S MESSAGE

Regina, Saskatchewan
June, 2001

The Honourable Kim Trew
Minister Responsible for the Saskatchewan Gaming Corporation

Minister Trew:

On behalf of the Board of Directors, I am pleased to submit the 2000/2001 annual report of the Saskatchewan Gaming Corporation for the period ending March 31, 2001.

I am proud to serve as Chair of the SGC Board of Directors and to be associated with Casino Regina. The top-notch entertainment it offers has made Casino Regina one of the leading tourist attractions in our province. At the same time, the corporation has developed very high standards governing its representative workforce practices and innovative training and development policies, which have drawn interest from many other workplaces.

It has been a pleasure working with Casino Regina's President Joe van Koeverden and his very capable management team. This was a very busy year for management and staff, with extensive interior renovations, new developments and many improvements to casino operations forming part of their daily experience. The hard work and diligence of Casino Regina's team is reflected by the many thousands of satisfied guests who walked through the doors of the casino, and in the overall profit level achieved this year.

On behalf of the Board, I would like to thank Chief Darcy Bear for the time served on the Board and for his contributions to the corporation over the past year. I would also like to welcome a new member of the Board, Chief Gilbert Ledoux, and thank all Board members for their participation.

Respectfully submitted,

Thomas J. Waller, Q. C., Chair of the Board
Saskatchewan Gaming Corporation

BOARD OF DIRECTORS

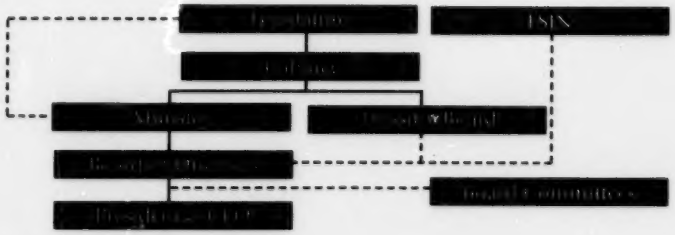
Back Row, Left to Right:
John Lipp, Ron Crowe, Tom Waller

Front Row:
Margaret Fern, Eddie Head, Larry Spannier
Chief Gilbert Ledoux

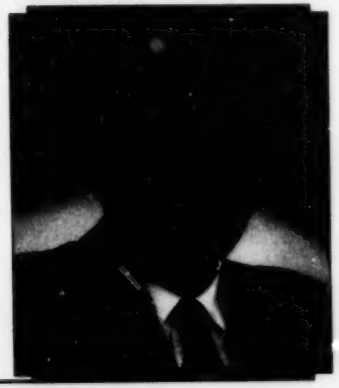
The Saskatchewan Gaming Corporation Board of Directors consists of three persons nominated by the Chief's Legislative Assembly of the Federation of Saskatchewan Indian Nations, and four persons recommended by provincial cabinet.

The SGC Board of Directors meets on a monthly basis and is chaired by Thomas Waller, Q.C. Margaret Fern acted as the Board's Vice-Chair. The SGC Board has three subcommittees, the Finance and Audit Committee, the Human Resources and Labour Relations Committee, and the Public Relations Committee.

Governance Structure



PRESIDENT'S REPORT



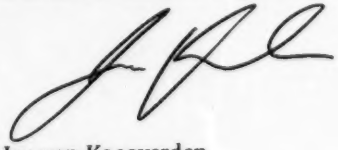
Casino Regina is recognized as the "gem" of the industry in western Canada because of its historic building and for setting the standard for customer service. The past year has been an exciting one, as the former Union Station is again being upgraded, while retaining its heritage character.

Phase I introduced an Art Deco theme throughout the casino and renovations that included the consolidation of guest services in the central hall, new carpeting, new cash desks at the west end and gaming redesign at the east and west ends. Exterior lighting and a new roof sign were also added. All Casino Regina staff can take pride in the minimal disruption experienced by our guests during the makeover. Our ability to provide the level of service our guests have come to expect during the renovations is testimony to the teamwork and planning that went into these changes.

Phase II of the renewal and development project includes the construction of an entertainment centre, which features a Show Lounge that will seat almost 700 guests on two levels. The new centre will link the existing building with the old CP Telegraph building, which will become a staff learning and development centre. Construction began March 1, 2001, with completion expected by November of this year. At that time, Casino Regina will employ about 700 people.

To help accommodate the increasing number of guests attracted by the entertainment centre and the growing activity in the downtown area, the renewal project also includes a 490-stall parkade and a paved staff parking area east of Casino Regina, across Broad Street. A new bridge and walkway will connect the parkade to the existing casino roadway. Plans also call for a climate controlled pedway system linking the entertainment centre with the Cornwall Centre and Delta Hotel and Convention Centre.

This $24 million renewal and development project coincides with Casino Regina's fifth anniversary, which occurred in January, 2001. The project also signifies our evolution to a more well-rounded entertainment complex, ensuring that Casino Regina will continue to be an important contributor to our community. This is borne out by what was accomplished during the 2000/2001 fiscal year. Net income increased by 14.6 %, allowing the corporation to contribute $22.7 million to the Government of Saskatchewan to help fund important programs, including social services, education and health care. I look forward to working with the management team and staff as we continue to grow.



Joe van Koeoverden
President and CEO

STRATEGIC DIRECTIONS

Our strategic directions and corporate objectives are built around five key elements of our operations. These include:

Guest Services and Relations
To work together at all levels of the corporation to deliver outstanding service, where our guests and staff see that we have gone beyond their expectations to create a welcome, fun and exciting atmosphere.

Organizational Development
To continue to build on our reputation as a progressive employer that recognizes and celebrates diversity.

Marketing and Promotions
Through our marketing and promotions we will work to enhance customer loyalty, to attract new guests, and to build consumer awareness of Casino Regina.

Public Acceptance and Corporate Image
To increase our visibility in the community as a model corporate citizen and to highlight the benefits that Casino Regina provides to Saskatchewan people.

Financial Performance and Accountability
To steadily improve our profitability while meeting our mandate in a socially responsible manner, with full public accountability.

Casino Regina has achieved considerable success in setting our strategic directions and meeting our objectives. We have set the standard for customer service in the industry, using it as a powerful tool that sets us above the competition. During the past year Casino Regina was designated a Saskatchewan Best Business by the Saskatchewan Tourism Education Council, one of only 26 businesses with this honour in 2000. We were also recognized by the Saskatchewan Human Rights Commission for our efforts in nurturing a diverse workforce, and have received praise from many organizations for our financial support and volunteer contributions to the community.

Effective management of our gaming operations, innovative marketing, and the renewal of our facility, have resulted in new guests and increasing customer loyalty, leading to steady growth in our revenue base and continuing improvements in our financial performance. We expect this trend to continue as Casino Regina expands our range of entertainment options.

GUEST SERVICES & CUSTOMER RELATIONS

Casino Regina's new gift shop, conveniently located in Central Hall, provides a comfortable seating area for guests who want to take a break from the action.

Focus on Customer Service

We worked hard during the past fiscal year to improve customer service in all departments at Casino Regina. We focused much of our efforts on leadership and customer service training, better internal communications and in offering an enhanced entertainment experience to our guests.

During the past fiscal year, Casino Regina made great strides forward in improving the entertainment package and customer service we provide to our guests. In December 2000, Casino Regina was designated a "Saskatchewan Best Business" by the Saskatchewan Tourism Education Council. This designation certifies that a minimum of 60 per cent of our staff have completed the Saskatchewan Best Customer Service Program, one of only 26 businesses and organizations to achieve this recognition in 2000. The program is offered to all new employees who join our team.

The Saskatchewan Best Customer Service program benefits both our guests and staff. The program emphasizes the importance to staff of being ambassadors not only for Casino Regina, but for the entire province. It also highlights the benefits of encouraging customer feedback and exceeding customer expectations, and illustrates the importance of teamwork among internal customers and co-workers. The program has helped staff understand the importance of a positive attitude and its affect on co-workers and customers, and has improved teamwork among staff members. Teamwork is important, because Casino Regina was named one of the 50 Fastest Growing Companies in 2000 by Saskatchewan Business magazine.

GUEST SERVICES & CUSTOMER RELATIONS

Interior renovations emphasized a return to the original appearance and character of the grand entrance of Union Station's Central Hall

Renovations and Added Attractions

Extensive renovations were undertaken to highlight the Art Deco features of the building and to improve customer services. Besides new carpet, paint and upgraded décor, the changes included the relocation and consolidation of all entrances and customer service functions such as the gift shop and coat check to the Central Hall, making them more visible to our customers. The renovations also improved the traffic flow for bus tour guests, and a new seating area provides a comfortable place for guests to wait for their buses. Our customer satisfaction index received a boost with the introduction of greeters, who offer a friendly first contact for our guests, and are able to assist them in any way they can.

Careful planning was required and great care was taken to minimize disruptions while the interior of Casino Regina was under renovation. The gaming floor was reorganized to create a more appealing layout, with all slot machine game moves done using a phased approach. Game spacing was changed to create more room between aisles, with an even selection between smoking and non-smoking sections.

Casino Regina has one of the widest slot machine game selections in Canada, and we are always reviewing new games and products, including feedback from guests and front-line staff in our evaluation. We will continue to introduce more low denomination, multi-line, multi-coin slot machine games because they have proven to be very popular with our guests. Our customers also told us it was time to replace the slot stools provided since Casino Regina opened. We have received positive feedback from guests about the new stools we introduced in 2000.

Low denomination, multi-coin, multi-line slot machines have proven to be very popular with casino guests, helping boost slot revenues by 15%.

GUEST SERVICES & CUSTOMER RELATIONS

Casino Regina's gaming floor was reorganized to create a more appealing layout, with more spacing between aisles.

The improved layout of the gaming floor increased the visibility of table games, which were changed to match the new carpeting and decor, brightening the look of the casino. The Poker Room was widened to create a more comfortable atmosphere. A new high limits poker pit has increased returns, and regular poker tournaments have been well received by our guests. Our games explanation service continues to be extremely popular.

A further change to the gaming floor during Summer 2000 involved the introduction of tokens, resulting from changes in the manufacture of quarters at the Canadian Mint. The transition to tokens was necessary because the new quarters would have produced inaccurate counts in the coin counting and weighing machines used by Casino Regina. A successful changeover was achieved by introducing the tokens gradually, supported by superb internal communication. The tokens are accepted throughout the casino, the parking lot, restaurant and gift shop.

Other changes included the addition of a second internal cash desk to reduce slot attendant congestion in the main bank area, and the addition of two cashiers and another internal bank at the west end of the casino. The number of automated teller machines was increased from three to six to help reduce lineups for our guests.

GUEST SERVICES & CUSTOMER RELATIONS

Employees received new uniforms in 2000 that match the décor of the newly renovated casino interior.

Casino Regina staff also received new uniforms, as part of the conversion to an Art Deco theme throughout the casino. A new computerized system not only tracks each garment through an attached heat-sealed bar code, but enhancements to the system have enabled several record keeping functions to be combined in one system, eliminating the need for four other computer applications.

Sharing sales goals with food and beverage staff has contributed to increased productivity in The Last Spike Show Room. In addition, staff training through the Saskatchewan Tourism Education Certificate program has raised staff service awareness and attitude toward customer needs and expectations. Our customers recognized our efforts by rating the food and beverage department in the high 80's for service excellence during the fiscal year, an all-time high. In customer surveys our guests also provided ideas and suggestions that will be included in a new menu to be introduced this summer.

Because Casino Regina is a partner in the community, it is important that we are able to provide information to our out-of-town guests about everything our community has to offer. The Tourism Visitor Information Certification program allows our Customer Service Representatives and Guest Services Managers to achieve national certification of their abilities to act as tourism ambassadors. The comprehensive six-week course involves class work, industry experience, a final exam and an evaluation. The evaluation includes a visit by a "mystery guest" from the Saskatchewan Tourism Education Council, which administers the program. Participants must demonstrate to the evaluator that their service skills are on par with industry standards before they receive their certification.

Casino Regina has worked with the nearby Cornwall Centre, Sears and Delta Hotel parkades to provide additional off-site parking for our guests while the new entertainment centre is under construction beside the existing building. Everyone is very excited about the 490-stall parkade and link under construction east of Broad Street, as most guests prefer to park on-site. The new parkade will also free up parking spaces in the nearby downtown area.

Workforce Development, Accomplishments and Strategy

Casino Regina continues to build on our reputation as a progressive employer that recognizes and celebrates diversity. While we celebrate diversity throughout the year, we highlight the contributions that Aboriginal people have made to our province on June 21st, National Aboriginal Day. Special activities are held within the corporation and the community to mark the special day.

As of March 31, 2001 the corporation had 607 employees, of whom 52.5 per cent were Aboriginal, once again exceeding the 50 per cent target established in our agreement with the FSIN. Women make up 52.6 per cent of the workforce, visible minorities 6.6 per cent and people with disabilities 3 per cent. Casino Regina is proud to have received a certificate of recognition as an employment equity employer from the Saskatchewan Human Rights Commission in June, 2000.

To ensure the continued success of our employment equity program we have established several initiatives and processes to maintain and increase representation of the designated groups within our workforce. Our Human Resources and Aboriginal Affairs department has implemented a human resource planning process which requires each department head to submit a representative workforce strategy for their department. This planning model serves as a framework for meeting the corporation's broader organizational goals, which include a representative workforce, adherence to the terms of the FSIN agreement, our succession planning requirements and employee development.

Later this year the corporation will launch a new leadership development strategy, which will incorporate evaluations and staff feedback on our Leadership Development Program. The program requires that 50 per cent of participants be Aboriginal, as part of our strategy to develop a representative workforce. In addition, an Aboriginal Management Development Program will be introduced this year. The AMDP will include leadership development and several other options aimed specifically at training Aboriginal people to fill management positions.

Security Officer Steve Burns, played his fiddle to an appreciative audience during National Aboriginal Day celebrations.

ORGANIZATIONAL DEVELOPMENT

For example, each year, six Aboriginal employees will be given specific job assignments, projects and tasks to increase their managerial experience, and one Aboriginal employee will participate in the Loaned Representative program for the United Way of Regina.

Casino Regina employees joined with staff from the Farm Credit Corporation, SGI Canada, and Ranch Ehrlo for a wheelchair basketball tournament for Access Awareness Week.

In addition, the corporation has been working with the Saskatchewan Indian Gaming Authority, the Saskatchewan Liquor and Gaming Authority and the Saskatchewan Indian Federated College to develop the Gaming Administration and Casino Management Program, which SIFC will begin offering in September, 2001. This program will provide students the opportunity to receive a diploma or degree in administration with a specialization in gaming administration and casino management. A series of six gaming administration and casino management subjects and an industry internship will be developed to form the new concentration. SIFC's program is the first of its kind in Canada and groundbreaking in its scope.

Casino Regina received a Saskatchewan Tourism Award of Excellence for our commitment to education and training.

A coaching team, originally formed in April 2000 to support the Leadership Development program, has evolved into a Learning and Development Advisory Committee consisting of front-line employees to senior managers. The purpose of this committee is to act as a vehicle to promote cross-communication at various levels of the organization and to provide an opportunity for department interaction. Through discussion, brainstorming and problem solving, this committee also provides guidance and advice regarding learning and development issues and needs.

During the year, Human Resources and Aboriginal Affairs successfully facilitated a number of work placements, with the emphasis on participation by members of designated groups. These individuals came from a variety of educational institutions and agencies, such as the Saskatchewan Abilities Council, the Scott Collegiate School to Work Transition program and SIAST's Travel and Tourism programs. These students were given relevant work assignments that related specifically to their area of training.

Food and Beverage employees were honoured at a special dinner for their hard work to become professionally certified.

The corporation participated in two career fairs in Saskatoon and Regina geared to the recruitment of Aboriginal students, and also attended a career fair at the University of Regina. We also hold regular meetings with the South Saskatchewan Independent Living Centre to raise awareness about recruiting people with disabilities. Employees with disabilities are reliable, enthusiastic workers who are excellent role models for our staff and the public.

This year, the corporation partnered with several organizations to explore issues of common interest. The Human Resource Development Crown Partnership with the Saskatchewan Property Management Corporation, SaskTel, SaskPower, SaskEnergy, SGI, the Saskatchewan Wheat Pool and the City of Regina discussed cost-sharing training costs and ways to ensure training is relevant and effective. The committee will submit a proposal for resource sharing to the various senior managements during the current fiscal year.

The corporation recognizes that a healthy work environment contributes to our success, and we support the physical and emotional well-being of our employees. During the year, 80 employees chose to receive flu shots offered by Casino Regina. Some participants reported they avoided the flu, while others experienced minimal flu effects as compared to previous years. Because of the large number of repetitive strain injuries being reported, employees are being referred for remedial massage treatment. Increasing numbers of cases are being handled by the Employee and Family Assistance Program, reflecting a greater acceptance and understanding of the program and how it can assist family members using the service.

ORGANIZATIONAL DEVELOPMENT

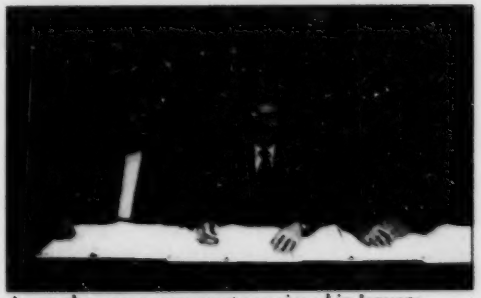
Employees participated in an extensive national survey looking at the various work and family demands in their lives. More than half of casino staff volunteered to complete the survey, which was conducted by the Richard Ivey School of Business at the University of Western Ontario. The survey found that 85 per cent of Casino Regina respondents were either satisfied or neutral about their jobs, in general. The highest satisfaction factors were in the areas of job duties, current workload and job security.

Union Management Relations

A new three-year collective agreement with the Public Service Alliance of Canada took effect June, 2001, covering employees in the table games, slots, banking, guest services, maintenance and security work areas. One provision of the agreement is the formation of a joint union-management committee to study shift work and scheduling issues. The corporation has committed $200,000 to hire a consultant and examine ways of improving shift work schedules to assist employees in achieving a better balance between work and family. This initiative is expected to have a positive impact on our employee turnover rate, which has declined from over 30 per cent in 1998 to 16.5 per cent in 2000-2001. (The average annual turnover rate in the hospitality industry is about 200 per cent.)

Negotiations are underway with the Retail, Wholesale and Department Store Union to replace the agreement that expired in February, 2001. The corporation has developed very positive relationships with both unions in the workplace, as evidenced by the continuing decline in the number of grievances filed during the past year, so we are optimistic that negotiations with RWDSU will go well.

Overall, the corporation's ongoing commitment to a representative workforce, diversity, community partnerships, employee learning and development and maintaining a balance in our employees' work and personal lives are contributing to our growing reputation as an employer of choice.



A new three-year agreement was signed in January, 2001, with the Public Service Alliance of Canada.

A Positive Relationship

Casino Regina's Security department has partnered with Job Source Canada and the First Nations Employment Centre to create and deliver a security training program. During the two-week course, thirty Aboriginal people received training in first aid, CPR, hazardous materials awareness, self defence and fire awareness. Upon completion, they received security guard certificates from Saskatchewan Justice. The program is creating an inventory of trained people with the life skills, customer service training and understanding of the hospitality industry required by Casino Regina.

"The security training program is just one example of the good working relationship the First Nations Employment Centre has developed with Casino Regina," says coordinator Alma St. Germaine. During that time the centre has referred several clients to jobs at Casino Regina as customer service representatives, dealers, pit bosses and security guards. "People have started as customer service reps and worked their way up," says St. Germaine. "Some are now working in the administration offices, including a former secretary here. They are one of our best partners, among the 240 employers who use the centre as a referral agency," St. Germaine states.

MARKETING & PROMOTIONS

January, 2001, saw the beginning of Casino Regina's year long 5th Anniversary Celebration.

A powerful mix of marketing campaigns and promotional efforts attracted more customers to Casino Regina last year than ever before, and had a direct positive impact on our revenues. Two extremely successful, high profile advertising campaigns held during the fiscal year contributed to the increased numbers of guests visiting the casino. The first, the Great Escape Mystery Jackpots, earned Casino Regina and its advertising agency a Gold Quill Award from the International Association of Business Communicators. This three-part campaign ran from January to August, 2000, and offered prizes such as a $130,000 motor home, a trip for two to Las Vegas, 250 trips for two to the Temple Gardens Mineral Spa in Moose Jaw, 30 trips for two to Alaska, and tickets to the Saskatchewan Roughriders Labour Day Classic, a pre-game party and $100 in instant cash. The campaign generated increased customer counts by 35 to 46 per cent during the three periods.

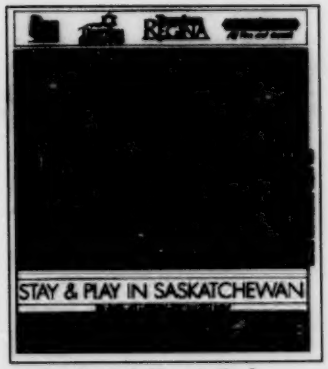
The second campaign, the 5th Anniversary Celebration Mystery Jackpots, began in January, 2001. This campaign features a television commercial that highlights Casino Regina's unique heritage and history, as 1920s-style visitors to the train station are magically transformed into contemporary guests in the casino. The campaign launched by offering five different prize vehicles during the first five weeks, and resulted in a 24 per cent increase in customers over the previous January.

Market Research

Casino Regina recognizes that good market research is one of the cornerstones of our business. We need to know if our marketing and promotional efforts are effective, who our customers are, and if we are delivering the level of service that our guests expect. We conduct both quantitative and qualitative research to gather satisfaction ratings from our guests, as well as on-the-spot feedback about our customer service delivery. We're encouraged that overall satisfaction among our guests has increased almost 10 per cent over the previous year, and that customers are noticing the work of our "Saskatchewan Best" trained staff. The research also indicates areas where we can improve our service delivery, challenging our creativity.

MARKETING & PROMOTIONS

A province-wide opinion poll of 1,000 Saskatchewan residents conducted for Casino Regina in December, 2000 produced some interesting findings. Almost half of the people interviewed said they had visited a casino in the past year, a six per cent increase from a survey conducted in July, 2000. Of those who had visited a casino, 80 per cent said customer service was the deciding factor in choosing which casino to visit. Seventy-eight per cent of visitors to Casino Regina rated our customer service as good or very good, even during the renovation period last year, an indication of the excellent teamwork performed by our staff.



Casino Regina's "Stay & Play" promotion helped generate a 30% increase in traffic from the Calgary market place.

Stay and Play

The prize packages we offer highlight our ongoing commitment to work with other businesses and tourism attractions in partnerships that benefit our community and promote Saskatchewan as a tourism destination. Casino Regina worked with a variety of partners (Tourism Regina, Tourism Saskatchewan, South East Saskatchewan Tourism Association and the Canadian Tourism Commission) to develop a high-impact Stay and Play campaign designed to attract new visitors to Regina and area. Besides Casino Regina, other attractions in the campaign included the Saskatchewan Roughriders, Rock 'N the Valley music festival, the Regina Symphony's Mozart at Mission Ridge and the Buffalo Days summer fair.

Seven local hotels supported the campaign by offering attractive rates to out-of-town guests. Guests also received a "Buy $15, Get $15" offer from Casino Regina. The campaign, which ran from April to September, 2000, generated an additional 30 per cent increase in guests from the Calgary area. The success of the initial campaign led to the development of another campaign for the fall months.

MARKETING & PROMOTIONS

Players Club Program

Our Players Club Card program continues to grow, with more than 40,000 members now enjoying its benefits and rewards. PC members receive notice by mail of upcoming promotions, special restaurant and gift shop discounts and incentives and cash rebates on selected slot machines, based on rated play. One particularly successful event held during the year under review was a complimentary turkey dinner and dessert at The Last Spike Restaurant. More than 6,000 Players Club members visited The Last Spike to take advantage of the exclusive offer, which had to be extended to accommodate our guests.

Casino Regina's Players Club program has over 40,000 members and is growing daily.

A focus test of PC members conducted during the year indicated that while they are satisfied with the current program, they would like it to offer more variety. As a result, the program will be re-launched in Fall, 2001 with exciting new rewards and benefits that meet our guests' preferences.

Casino Regina was recognized by the International Association of Business Communicators by receiving a Gold Quill Award for the very successful "Great Escape" marketing campaign.

Bus Tours Growing in Popularity

Casino Regina's bus tour program continues to be an important element in our marketing strategy, and a major contributor to our growth. More than 70 bus companies have signed up for our open bus tour program to bring guests from across Western Canada. The number of guests arriving by bus rose by 30 per cent over the previous year, including a significant increase in day traffic from within the province.

While this increase is impressive, we believe there is still room for growth in bus traffic during certain months and on certain days of the week. One of the ways Casino Regina is working to attract more guests is through joint promotions, such as packages that would combine casino visits with other tourism attractions in the area. The new Show Lounge will also attract more visitors to Casino Regina and the community.

Top Quality Entertainment

Casino patrons were treated to a wide variety of high quality entertainment at The Last Spike during the year under review. The entertainment ranged from a diverse selection of tribute acts to Canadian, U.S. and local groups and artists performing music representing almost every musical genre.

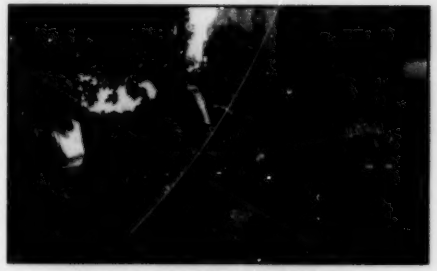
The performers included The Ink Spots, Prairie Oyster, Jack Semple, Chris Cummings, international recording artist Keith Secola and Juno Award winner Chester Knight and the Wind. Other presentations included the Rustix Dinner Theatre group from nearby Bethune and local horticultural expert Ken Beattie answering questions in afternoon gardening sessions.

Casino Regina looks forward to the opening of our new Show Lounge so that we can provide even better entertainment options for our community, and attract more guests to Regina's downtown.

The Rustix Dinner Theatre from Bethune, Saskatchewan was a big hit with guests at The Last Spike.

PUBLIC ACCEPTANCE & CORPORATE IMAGE

Casino Regina has become an integral part of our community, and we are proud to consider ourselves a model corporate citizen. We have taken a leadership role in contributing to the life of the community, with our staff providing volunteer service to a large number of organizations and events.



Many adventurous people, including CTV television's Tom Brown and Minister Joanne Crofford, had fun trying out the Velcro Olympics during our Human Foosball fundraiser.

All profits from Casino Regina are forwarded to the province's General Revenue Fund, and are then distributed under the partnership agreement between the Government of Saskatchewan and the Federation of Saskatchewan Indian Nations. Under the terms of this agreement 50 per cent of Casino Regina's profits goes to the Saskatchewan Government, 25 per cent is distributed to the First Nations Fund and 25 per cent is allocated to the Community Initiatives Fund, (CIF) formerly called the Associated Entities Fund. The CIF is administered through the Department of Culture, Youth and Recreation.

Change Attendant Muriel Favel, was one of Casino Regina's many employees who shared her knowledge of Aboriginal culture with the community during National Aboriginal Day celebrations.

CIF funds are distributed to a wide variety of non-profit organizations, Métis organizations and exhibition associations. Last year, annual and summer grants worth $2 million supported community programs and services targeted to assist vulnerable children, youth and families. A further $5.4 million was provided during the year for the construction or renovation of cultural facilities such as community halls, museums, arts centres, libraries, theatres and art galleries. A separate development fund provides $2 million each year to support community-based projects such as agricultural shows, sports days and summer exhibitions. Other funding includes $500,000 annually for responsible gambling initiatives, $485,000 for six exhibition associations and $300,000 for the province's base hospitals.

PUBLIC ACCEPTANCE & CORPORATE IMAGE

Forty-four Casino Regina employees raised money and participated in the 2000 Terry Fox Marathon of Hope.

Casino Regina also recognizes the importance of education to the community and the province through our Post-Secondary Scholarship Program. We encourage Saskatchewan residents to pursue full-time post-secondary education in business administration, hospitality management, electronics or computer technologies, and communications. Each year, we award six, $1,000 university undergraduate scholarships and eight, $500 scholarships to students enrolled in diploma or certificate programs at regional colleges or technical institutes.

Our scholarship program also reflects our commitment to equity and cultural diversity. Preference is given to awarding at least 50% of the scholarships to qualified students of Aboriginal ancestry.

Casino Regina is proud of the recognition we have received for the leadership role we have taken in the community through our corporate sponsorship program, which emphasizes volunteer work by our employees. Our Employee Community Enhancement Committee is busy year-round planning and participating in a variety of fundraising events for community organizations such as the United Way, Chili for Children and the Terry Fox Run.

During the year, Casino Regina employees participated in numerous fundraising events for local schools, including Kitchener, Rosemont, Wascana and Thomson Community Schools. A team of casino volunteers organized a Human Foosball tournament for Thomson School, in partnership with students and parents from the school and volunteers from the Regina Aboriginal Professionals Association.

Saskatchewan students are supported by Casino Regina through our Post-Secondary Education Scholarship Program.

PUBLIC ACCEPTANCE & CORPORATE IMAGE

"We want to be role models for the children," says Association member Ruth Ahenekew-Madill, "but we also want to help the students and their parents develop organizing and fundraising skills." Money raised by the Casino Regina-sponsored foosball tournament was added to the fund and used to purchase playground equipment for the school. The installation and official unveiling of the equipment is planned for early June, 2001.

Casino staff look forward every year to volunteering at Kitchener School's Annual Community Barbecue.

We were very pleased that Casino Regina's dinner theatre fundraiser for Regina's long-running summer production, The Trial of Louis Riel, received two ACE awards (Awards for Communications Excellence) in the Community Relations and Special Events Management categories. The awards are sponsored by the International Association of Business Communicators.

Casino Regina was also recognized as a "Community Builder" by the Regina and District Association for Community Living for our support of a conference on employment for people with disabilities. "The conference gave businesses some idea of the skills that people with disabilities bring to their jobs, and raised awareness in the community that these people are willing and able to do the work," says John Coflin, Executive Director for the Association. "Casino Regina helped make the conference affordable for low-income people, and their staff helped organize and promote it. Most important of all, Casino Regina shows leadership in employing people with disabilities," Coflin concluded.

Casino Regina was presented with a Community Builder Award from the Regina Association for Community Living for our commitment to increasing the employment of people with disabilities in our workplace.

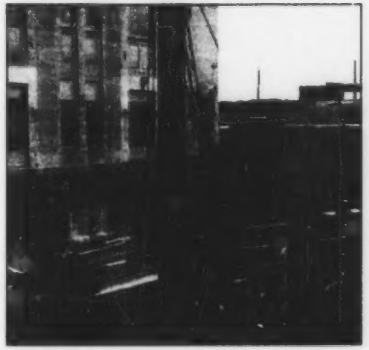
FINANCIAL PERFORMANCE & ACCOUNTABILITY

One of Casino Regina's key objectives is to steadily improve profitability while meeting our mandate in a socially responsible manner, with full public accountability. We have achieved this objective: net income during 2000/2001 reached a record $22.7 million, bringing the total income generated for social and public purposes in Saskatchewan to $70 million since we opened our doors five years ago.

During the past year, Casino Regina began a two-phase renewal and expansion project. The first phase, which involved the reorganization of the gaming floor, the consolidation of guest services at the main entrance, improved outdoor signage and a new décor that capitalizes on our building's heritage and history, was completed late in 2000 at a cost of $5.6 million.

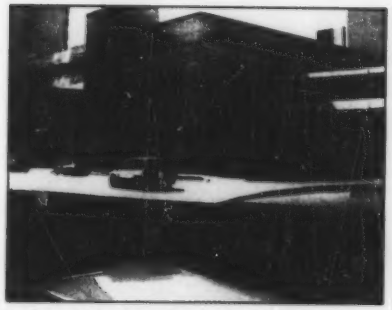
The $24 million second phase involves the construction of an entertainment centre containing a 684-seat Show Lounge west of Casino Regina, linking it with a learning and development centre housed in the former CP Telegraph building. Included in the project is a 490-stall parkade and a paved staff parking area east of the casino, with a pedestrian link over Broad Street. An elevated pedway connecting the casino site with the Cornwall Centre, Sears parkade and the Delta Hotel and Convention Centre is also part of the project.

For Phase II of the project, all general contractors bidding on the project were required to satisfy some ambitious conditions set out by the corporation, besides the standard requirements. These included providing a level playing field provision so that all employees – union or non-union – would be paid wages and benefits that meet or exceed provincial collective agreement rates. The agreement also required that at least 25 per cent of the workforce for the project be Aboriginal. In addition, all employees are required to participate in industry-recognized occupational health and safety training, and the province's apprenticeship training system is being used as the benchmark for all training related to the project.

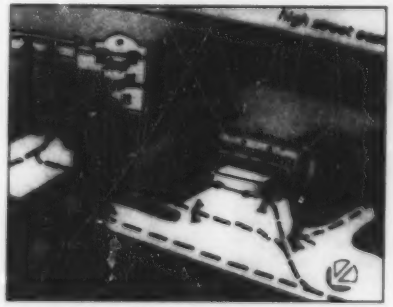


Construction began on March 1, 2001 on Casino Regina's new entertainment centre and parkade.

FINANCIAL PERFORMANCE & ACCOUNTABILITY



Pedway links from the new entertainment centre to the Cornwal Centre and the Delta Hotel will promote pedestrian traffic flow throughout Regina's downtown core.

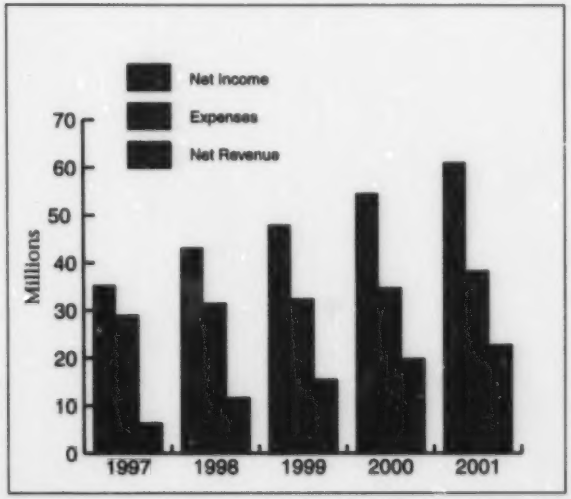


SGC was invited by Moose Jaw to develop a proposal for a casino in their community as part of a $40 million plan to revitalize the city's downtown.

Regina's Market Square, the business improvement organization that represents businesses in Regina's downtown area, welcomes Casino Regina's expansion. John Hopkins is the Executive Director for Regina's Market Square: "Casino Regina's location is perfect. The Show Lounge will bring a different group of customers to our downtown area, and solidify the downtown as Regina's entertainment centre," says Hopkins. "Market Square members expect the lounge and pedways will create a lot of cross-traffic and have a major positive impact on the downtown area. The additional parking will be welcomed by casino patrons who prefer to park on-site, and it will relieve some of the pressure on nearby streets," Hopkins concludes.

Another potential business opportunity also kept the corporation busy this year. Moose Jaw community leaders approached the corporation, asking that we work with them on a proposal for a casino to be built in their community as part of a multifaceted $40 million downtown revitalization project. Early in the new fiscal year the corporation will present a market study and a business plan to the Saskatchewan Government. Based on this information, and a careful review of the feasibility and community support for a casino in Moose Jaw, the government will make a decision on whether to approve this proposal.

MANAGEMENT DISCUSSION & ANALYSIS



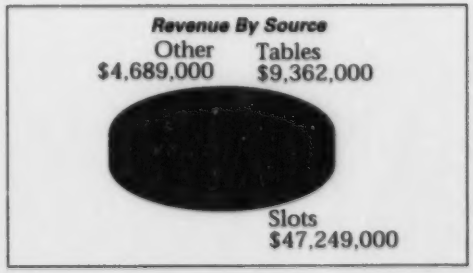
Management and staff can take pride in the level of customer service they delivered to our guests during the extensive renovations undertaken during the past fiscal year. Thanks to thorough planning and a lot of teamwork, we were able to achieve our objectives for 2000/2001 and prepare for the ambitious second phase of our renewal and expansion project, which will secure Casino Regina's place as one of the province's top tourism draws.

Financial Overview

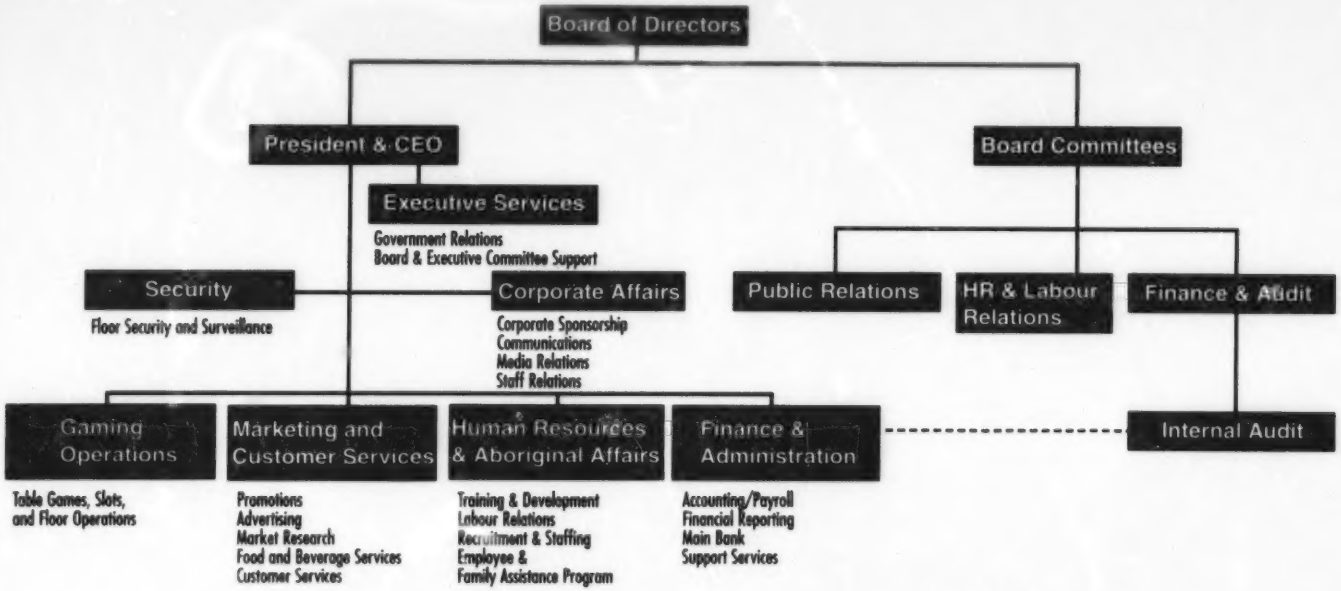
During the 2000/2001 fiscal year the corporation posted a net income of $22.7 million, up 14.6 % over the previous year's record profit of $19.8 million.

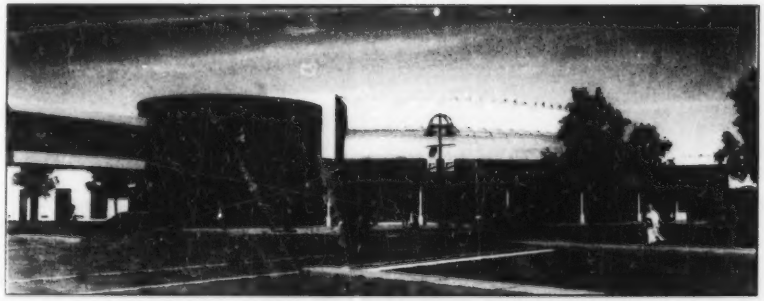
Net revenues for the year were $61 million, up $6.5 million or almost 11.9 % over the previous year. Expenses rose from $34.66 million in 1999/2000 to $38.27 million in 2000/2001, a 10.4 % increase.

The corporation made significant improvements in several areas in the year under review, including the overall profit level. Overall gross gaming revenue increased to $58.6 million. Promotional allowances also increased during the past year, to $2.36 million, primarily due to a marketing initiative to ease parking for patrons and a promotion to introduce tokens in place of quarters.



MANAGEMENT DISCUSSION & ANALYSIS





Casino Regina's new Show Lounge, scheduled to open in November 2001, will provide an added boost to Regina's downtown.

MANAGEMENT DISCUSSION & ANALYSIS

Operational Highlights

In the year under review, Casino Regina continued to register increases in our visitor counts, averaging well over 4,000 guests per day. We expect the number of guest visits will continue to increase as the result of our interior renovations and the completion of the entertainment centre and parkade later in 2001.

This project will maintain Casino Regina's reputation as Saskatchewan's number one tourist attraction, solidify our position as the entertainment anchor in downtown Regina and ensure the corporation's profitability as competition continues to grow within the industry.

The redevelopment of the CP Telegraph Building to accommodate a learning and development centre for Casino Regina staff will provide a better learning environment and alleviate the pressure for meeting space.

Back Row, Left to Right:
Joe van Koeverden, President and CEO; Max Dressler, VP of Gaming Operations; Gerry Fischer, VP of Marketing and Customer Services; Doug Casper, Executive Director of Security.

Front Row:
Lynn Gidluck, Executive Director of Corporate Affairs; Twyla Meredith, VP of Finance and Administration; Elma Shoulak, VP of Human Resources and Aboriginal Affairs.

Organizational Review

During the past fiscal year, a comprehensive review was undertaken of all casino operations, in order to improve the corporate structure and prepare for future initiatives such as the opening of the entertainment centre and parkade, and possible expansion to Moose Jaw. Employees in all areas of the corporation were consulted on ways to improve the organization so that they can best carry out their responsibilities. Work is still underway to implement the excellent ideas that came out of the meetings with employees.

As part of the review, changes were also made to the Executive team and vacancies filled. These included the creation and filling of a Vice President of Gaming Operations position, which has responsibility for table games and slot machines.

Another new position - Director of Executive Services - was created to handle all government and Board relations. Corporate Affairs continues to be responsible for external and internal communications, media relations, corporate sponsorships and community relations. In addition, the Vice President of Marketing position was expanded to include two key marketing areas - the Food and Beverage department and Casino Services - under the new title of Marketing and Customer Services.

Risk Management

The corporation has identified five areas of risk that we must manage if we are to be successful in fulfilling our vision, mission and mandate. These key areas include:

- ensuring fairness and integrity in gaming operations;
- maintaining Casino Regina's competitive position as a top tourist attraction;
- meeting government expectations for reasonable profitability and performance accountability;
- offering quality employment and career opportunities consistent with employment equity objectives; and
- operating in a socially responsible manner.

Fairness and Integrity in Gaming Operations

Casino Regina has a responsibility to ensure the integrity of our gaming operations so that all gaming activities are conducted fairly, honestly and in accordance with regulatory approvals. The corporation is confident that the integrity of the games is assured through strict adherence to rules, procedures and systems. Regulations require that all gaming rules and equipment must be approved by the Saskatchewan Liquor and Gaming Authority before being introduced on the gaming floor. Under these regulations, all slot machines in Saskatchewan must have a minimum 85% payout.

Gaming operations are closely monitored at the floor level through ongoing supervision, and through 194 cameras and 80 videotape recorders with automatic tape change capabilities, all operating 24 hours a day, seven days a week. Each table game is monitored by a fixed camera, while a pan/tilt/zoom camera performs regular audits on tables.

All doors throughout the casino are controlled by an access control system that uses state-of-the-art technology to ensure a high level of security. A computerized system controls access to all of the keys used in the facility, and alarms are located in all vulnerable areas, with dual access control providing extra security in critical locations. Additional internal controls complement the capabilities of the security system, duress alarms and access controls. At any time the casino can perform audits on table games and slot machines. Computers at table games inform security personnel what is happening at a table, and continuous and automatic shufflers ensure that cards are dealt at random.

Casino Regina's security system has met and surpassed all expectations. The corporation is confident that our internal controls achieve a balance that makes employees and guests feel secure and comfortable. As we move into the digital age, we will continue exploring all options to maintain appropriate security and surveillance throughout the casino property.

Meeting the Competition and Maintaining Our Position as a Top Tourism Attraction
During 2000/2001 the corporation continued to renew our products, services and facilities to meet the increasing competition for gaming dollars, particularly from new or expanded facilities in Winnipeg, Edmonton and Calgary. Extensive interior renovations following an Art Deco theme built upon our major asset — the unmistakable heritage character of our building, the old Union Station. With those renovations completed and drawing positive comments from our guests, construction work is now underway on the casino's new entertainment centre, 490-stall parkade and learning and development centre. This renewal and expansion project will attract increased numbers of visitors to Regina and Saskatchewan, ensuring that Casino Regina maintains its position as Saskatchewan's top tourist attraction.

During Summer 2000, Casino Regina initiated a Stay and Play promotion with Tourism Regina, Tourism Saskatchewan, the Canadian Tourism Commission and the South East Tourism Association to attract new visitors to Regina and area. The initial promotion, which featured attractive hotel room rental rates and incentives to visit Casino Regina and other area attractions and events, generated a 30 per cent increase in visitors from Calgary. We have continued to build upon this successful campaign.

MANAGEMENT DISCUSSION & ANALYSIS

Profitability and Performance Accountability
In accordance with the Saskatchewan Gaming Act, 1994, SGC's net income is paid to the province's General Revenue Fund and distributed through the annual budgetary process. In the five years since Casino Regina first opened, SGC has generated over $70 million in net income that has been used for a wide range of social and public purposes.

SGC needs to continue to generate a reasonable level of profitability that is consistent with industry standards for comparable commercial casino operations. As a provincial Crown Corporation, SGC provides government, legislators, stakeholders and the general public with accurate and timely information on the casino's performance.

The corporation has established processes and systems that ensure the Board of Directors receives the appropriate information on the casino's performance and is able to monitor the corporation's ongoing performance. Strategic planning, budget forecasting and quarterly forecasting procedures are in place. SGC also follows a consistent approach to the release of quarterly and annual reporting. The corporation meets the high level of scrutiny required by government and the public, as evidenced by the satisfactory opinion given by the Provincial Auditor on our internal controls and processes.

Casino Regina is proud to have received a certificate of recognition from the Saskatchewan Human Rights Commission for our employment equity achievements.

Quality Employment and Representative Workforce Objectives
The historic agreement the Government of Saskatchewan signed with the Federation of Saskatchewan Indian Nations in 1994, paved the way for the joint management of the casino industry with First Nations people. An important element of this agreement is a commitment that Casino Regina will strive for and maintain a workforce consisting of at least 50 per cent Aboriginal people. Our representative workforce objectives also include women, visible minorities and persons with disabilities.

The corporation works continuously with the Aboriginal community, referral agencies and educational and training institutes to promote casino career opportunities and to recruit qualified Aboriginal candidates to help meet our representative workforce objectives. The corporation will soon introduce an Aboriginal Management Development Program, which will bring together all of the educational and training programs offered by the corporation.

Employees will be able to enter the AMDP at different levels, and will receive help in developing a learning plan that will guide their career and educational objectives. One innovative feature of the program will allow full-time Aboriginal employees to apply for a Work-study Internship, where they receive their full salary while attending university full-time. Participants will then complete an internship at Casino Regina, where they will have the opportunity to apply their practical knowledge.

Our innovative programming supports and nurtures our diverse workforce, and we are proud that our efforts have been recognized by the Saskatchewan Human Rights Commission.

Social Responsibility

The corporation's mandate includes an obligation to operate our facilities in a socially responsible manner and we have taken a progressive approach to dealing with the potential negative impacts some people may experience from gaming. While problem gambling affects a very small percentage of the population, for those people, and their families, we recognize it can be a serious problem.

The corporation has developed and implemented several policies and procedures to meet its commitment in this area, including a voluntary admission ban program, whereby players experiencing problems can sign a document agreeing that they will not be allowed to enter the casino.

The corporation continues to contribute to the promotion of responsible gaming practices and to increase public awareness of problem gambling. The corporation works closely with the Canadian Mental Health Association and other community organizations to minimize the negative social impacts of problem gambling. We are also an active participant in the Regina Committee on Problem Gambling, which includes representatives from many churches, social service agencies, mental health organizations and police groups.

The corporation will undertake a comprehensive review of its policies and procedures related to responsible gaming during the next fiscal year, to ensure Casino Regina continues to exceed industry standards in this important area.

As a licensed facility, Casino Regina must also ensure that those under age 19 are prevented from entering our facility.

SASKATCHEWAN GAMING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2001

MANAGEMENT REPORT

The accompanying financial statements and related financial information presented throughout the Annual Report have been prepared by management using Canadian generally accepted accounting principles. Management is responsible for the integrity, objectivity and reliability of the financial statements.

The financial statements for the year ending March 31, 2001 have been approved by the Saskatchewan Gaming Corporation's Board of Directors.

Management of the corporation has established (and maintains) a system of internal controls, providing assurance that transactions are recorded and executed in compliance with legislation and authority; assets are safeguarded, there is an effective segregation of duties and responsibilities, and reliable records are maintained. An auditing function exists within the corporation that objectively assesses the effectiveness of internal controls.

The Provincial Auditor has examined the corporation's financial statements. The Auditor's Report to the Members of the Legislative Assembly of Saskatchewan expresses an independent opinion of fairness of presentation of the corporation's financial statements in accordance with Canadian generally accepted accounting principles.

Joe van Koeverden
President and CEO

Twyla Meredith
Vice-President
Finance and Administration

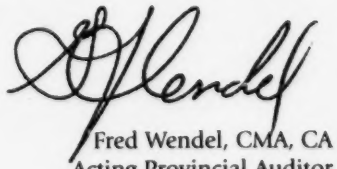
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the consolidated statement of financial position of the Saskatchewan Gaming Corporation as at March 31, 2001 and the consolidated statements of operations and retained earnings, and cash flows for the year then ended. The Saskatchewan Gaming Corporation's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Saskatchewan Gaming Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Fred Wendel, CMA, CA
Acting Provincial Auditor

Regina, Saskatchewan
April 25, 2001

SASKATCHEWAN GAMING CORPORATION

STATEMENT 1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

Assets

	2001	2000
Current assets:		
Cash and short-term investments	$ 14,668,772	$ 17,252,327
Accounts receivable	318,678	72,218
Inventory	155,164	164,546
Prepaid expenses	473,898	455,257
	15,616,512	17,944,348
Deferred charges (Note 3)	—	376,104
Capital assets (Note 4)	32,026,079	29,269,230
Total assets	$ 47,642,591	$ 47,589,682

Liabilities and Retained Earnings

Current liabilities:		
Accounts payable and accrued liabilities	$ 4,840,047	$ 3,714,345
Current portion of long-term debt (Note 5)	1,285,286	3,965,256
	6,125,333	7,679,601
Due to General Revenue Fund (Note 1)	22,709,087	19,816,624
Long-term debt (Note 5)	18,808,171	20,093,457
Retained earnings (Statement 2)	—	—
Total liabilities and retained earnings	$ 47,642,591	$ 47,589,682
Commitments (Note 6)		

(See accompanying notes to the financial statements.)

SASKATCHEWAN GAMING CORPORATION

STATEMENT 2
CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31

	Budget 2001	Actual 2001	2000
Revenue:			
Slot machines	$ 47,249,000	$ 50,231,167	$ 42,683,917
Table games	9,362,000	8,452,763	9,258,318
Other revenue (Note 8)	4,689,000	4,657,944	4,138,161
	61,300,000	63,341,874	56,080,396
Less promotional allowances	2,120,000	2,361,525	1,602,981
	59,180,000	60,980,349	54,477,415
Expenses (Note 9):			
Casino and administration	21,877,700	22,302,522	18,974,254
Contractual obligations (Note 6 a)	2,600,000	2,600,000	2,600,000
Ancillary services (Note 8)	2,839,100	2,883,049	2,740,960
	27,316,800	27,785,571	24,315,214
Earnings before the following	31,863,200	33,194,778	30,162,201
Amortization and asset write-down	4,573,900	4,053,117	3,800,165
Interest	2,210,000	2,029,187	2,346,979
Taxes (Note 10)	2,204,000	3,059,206	2,735,455
Consulting (Note 7)	1,332,500	1,344,181	1,462,978
	10,320,400	10,485,691	10,345,577
Net income	21,542,800	22,709,087	19,816,624
Retained earnings, beginning of the year	—	—	—
Due to General Revenue Fund (Note 1)	21,542,800	22,709,087	19,816,624
Retained earnings, end of the year - to Statement 1	$ —	$ —	$ —

(See accompanying notes to the financial statements.)

SASKATCHEWAN GAMING CORPORATION

STATEMENT 3
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED MARCH 31

	2001	2000
Cashflow from operating activities:		
Net income	$ 22,709,087	$ 19,816,624
Items not involving cash:		
Amortization of capital assets	4,120,909	3,746,850
Amortization of deferred charges (Note 3)	376,104	451,326
Write-down of assets	(67,792)	53,315
Changes in non-cash working capital balances:		
Accounts receivable	(246,460)	(22,482)
Prepaid expenses	(18,641)	(27,761)
Inventories	9,382	21,049
Accounts payable and accrued liabilities	1,125,702	1,065,218
	28,008,291	25,104,139
Cashflow from investing activities:		
Proceeds from sale of capital assets	217,758	10,847
Additions to capital assets	(7,027,724)	(2,057,899)
	(6,809,966)	(2,047,052)
Cashflow from financing activities:		
Payment to General Revenue Fund	(19,816,624)	(15,450,698)
Repayment of debt	(3,965,256)	(3,651,613)
	(23,781,880)	(19,102,311)
Net (decrease) increase in cash	(2,583,555)	3,954,776
Cash and short-term investments, beginning of year	17,252,327	13,297,551
Cash and short-term investments, end of year	$ 14,668,772	$ 17,252,327

(See accompanying notes to the financial statements.)

1. Description of Business

The Saskatchewan Gaming Corporation (SGC) manages and operates Casino Regina. The SGC was established as a Treasury Board Crown Corporation under *The Saskatchewan Gaming Corporation Act, 1994* (Act). Under Section 13 of the Act, SGC, unless directed otherwise by Treasury Board, shall pay its net profits for each fiscal year to the General Revenue Fund.

SGC was established to provide for separation of regulatory and operational aspects of gaming. SGC must operate in accordance with statutory provisions established under Section 207 of the *Criminal Code of Canada* and *The Alcohol and Gaming Regulation Act*, 1993. Regulation of its operations is controlled by the separately constituted Saskatchewan Liquor and Gaming Authority.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant policies which have been adopted are described below.

a) Basis of Consolidation

The consolidated financial statements combine the accounts of Saskatchewan Gaming Corporation and its wholly-owned subsidiary, SGC Holdings Inc.

b) Revenue

Gaming revenue represents the net win from gaming activities, which is the difference between the amounts wagered and pay-outs by the casino. The retail value of goods and services furnished to casino guests without charge is included in revenue and then deducted as promotional allowances.

c) Inventory

Inventory is stated at the lower of cost and net realizable value.

d) Capital Assets

Capital assets are stated at cost less accumulated amortization. Assets are amortized using the straight-line method over their useful lives as follows:

Building and renovations	Five to forty years
Gaming equipment	Three to five years
Computer equipment	Three to five years
Furniture and equipment	Three to five years

e) Cash and Short-term Investments

Cash and short-term investments consist of cash on hand and balances with banks and investments in a money market fund. Short-term investments are carried at cost, which approximates market value.

3. Deferred Charges

In 1995, SGC purchased a five-year non-exclusive licence to use Holland Casinos' "know-how" and proprietary software. The total cost of this license is being amortized to consulting expense over a five-year period ending January 25, 2001. Amortization of deferred charges during the year amounted to $376,104 (2000 - $451,325).

4. Capital Assets

	Cost	Accumulated Amortization	2001 Net Carrying Amount	2000 Net Carrying Amount
Building and renovations	$ 27,353,091	$ 3,445,563	$ 23,907,528	$ 20,317,048
Gaming equipment	11,160,421	9,198,997	1,961,424	3,232,277
Land	4,228,000	—	4,228,000	4,228,000
Computer equipment	3,068,207	2,450,738	617,469	691,020
Furniture and equipment	3,118,333	1,806,675	1,311,658	800,885
Total	$ 48,928,052	$ 16,901,973	$ 32,026,079	$ 29,269,230

5. Long-Term Debt

	2001	2000
Land and Building Loan, repayable in monthly instalments of $256,715 including interest at 9.2%, due April 1, 2011	$ 20,093,457	$ 21,266,186
Gaming Equipment Loan, repayable in monthly instalments of $242,763 including interest at 7.88%, due April 1, 2001	—	2,792,527
	20,093,457	24,058,713
Less current portion	1,285,286	3,965,256
	$ 18,808,171	$ 20,093,457

The above loans are secured by assets and shares of SGC Holdings Inc.
Principal repayments required in the next five years are as follows:

2002	1,285,286
2003	1,408,648
2004	1,543,851
2005	1,692,030
2006	1,854,431
2007 and subsequent	12,309,211
	$ 20,093,457

6. Commitments

a) Agreement with Regina Exhibition Association (Association)

On April 1, 1997, SGC entered into an agreement with the Association to fulfill previous commitments made to the Association regarding the maintenance of a certain level of its income.

The Association terminated the agreement effective November 23, 1997. Under the provisions of the agreement SGC agreed to pay the Association monthly payments of $235,417 for the first year following termination of the agreement and monthly payments of $216,667 in each year thereafter for 29 years.

b) Casino Regina Expansion

During the year, SGC approved expansion and renovation of Casino Regina including a new entertainment facility west of the casino, a parking structure, and pedway linkages with the nearby shopping centre and the adjacent hotel for a total estimated cost of $29 million. SGC negotiated cost share arrangements with the City of Regina, Regina Market Square, and the hotel for the proposed pedway linkages.

Recently, Saskatchewan Property Management Corporation, on behalf of SGC, made agreements with certain builders and architects to carry out the above construction during the next year. During the year, SGC completed part of this project for a cost of approximately $5 million.

Treasury Board has also approved the above expansion of Casino Regina. SGC plans to borrow money to fund the expansion project.

7. Holland Casinos

SGC had retained Holland Casinos to assist in the development and operation of Casino Regina. A five-year agreement was finalized in April 1995, to commence January 1996. Under the agreement, SGC paid to Holland Casinos an amount equal to 1.5% of gross gaming revenue, and 1.5% of net profits per operating year for five years, plus any salaries, travel, and living expenses incurred by Holland Casinos staff. The agreement with Holland Casinos expired January 25, 2001.

8. Other Revenue and Expenses

	Food & Beverage	Parking	Giftshop	Other	2001 Total	2000 Total
Revenue:						
Sales	$ 3,751,123	$ 1,173,648	$ 402,648	$ —	$ 5,327,419	$ 5,018,932
Cost of goods sold	1,232,589	—	311,345	—	1,543,934	1,447,806
Gross profit	2,518,534	1,173,648	91,303	—	3,783,485	3,571,126
Interest	—	—	—	416,847	416,847	425,271
Rent and other	23,320	—	13,374	420,918	457,612	141,764
Total revenue	2,541,854	1,173,648	104,677	837,765	4,657,944	4,138,161
Expenses	2,390,751	427,521	64,777	—	2,883,049	2,740,960
Operating income	$ 151,103	$ 746,127	$ 39,900	$ 837,765	$ 1,774,895	$ 1,397,201

9. Expenses by Object

	2001	2000
Salaries and benefits	$ 15,248,207	$ 13,831,702
Amortization and asset write down	4,053,117	3,800,165
Marketing and communication	3,671,082	3,134,076
Taxes (Note 10)	3,059,206	2,735,455
Utilities, insurance, supplies and maintenance	2,798,602	2,634,486
Contractual obligations (Note 6 a)	2,600,000	2,600,000
Interest	2,029,187	2,346,979
Consulting (Note 7)	1,344,181	1,462,978
Professional services	1,280,981	951,149
Uniforms, recruitment and training	1,062,272	529,480
Lease and rental	374,579	366,634
Other operating expenses	749,848	267,687
Total Expenses	$ 38,271,262	$ 34,660,791

10. Taxes

SGC is on the prescribed list of lottery corporations pursuant to Section 188 of *The Federal Excise Tax Act*. In lieu of collecting Goods and Services Tax (GST) on revenue at the retail level, SGC calculates and remits GST according to a formula prescribed by Canada Customs and Revenue Agency. The formula requires SGC to pay 14% on the purchase of goods and services related to the Casino operation.

GST and Provincial Sales Tax on equipment leased from SGC Holdings Inc. is expensed over the term of the lease. Also included in taxes is grants in lieu of property tax.

11. Pension Plan

Substantially all of SGC's permanent employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by the Plan's Board of Directors, using staff and facilities provided by Crown Investments Corporation of Saskatchewan. SGC's financial obligation is limited to matching the required amounts contributed by employees for current service, which totalled $638,728 for 2001 (2000 - $580,502). The amount required to be contributed by employees is 5.5% of salary.

12. 2001 Budget

These amounts represent the budget approved by the Board of the Saskatchewan Gaming Corporation.

13. Related Party Transactions

These consolidated financial statements include transactions with related parties. SGC is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, SGC is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. These transactions are as follows:

Category	2001	2000
Salaries and benefits	$ 760,044	$ 679,211
Utilities, insurance, supplies and maintenance	801,675	635,152
Restaurant - cost of sales	388,475	431,325
Other expenses	484,006	289,557
Accounts payable and accrued liabilities	26,974	302,446

In addition, SGC pays PST to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases. SGC also collects Liquor Consumption Tax and remits to the Saskatchewan Department of Finance.

Other transactions with related parties and amounts due to/from them are described separately in the consolidated financial statements and the notes thereto.

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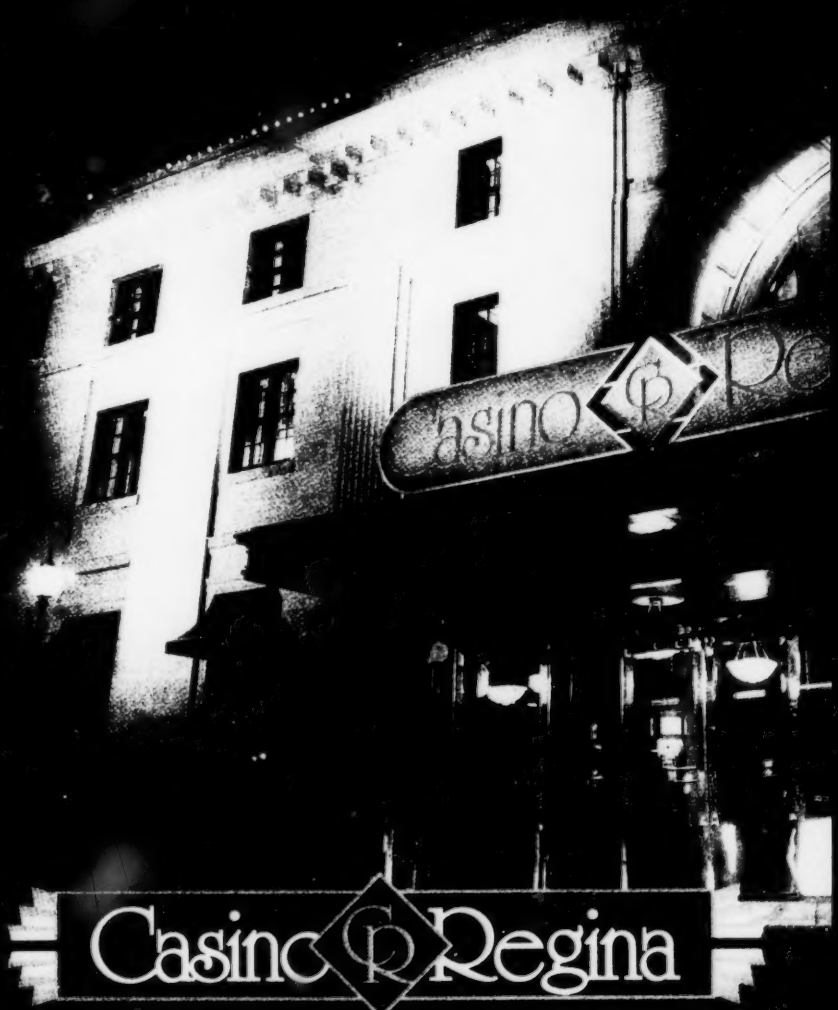
SASKATCHEWAN GAMING CORPORATION

First Quarter Results

Consolidated Statement of Financial Position

As at June 30, 2001



FIRST QUARTER HIGHLIGHTS

The Saskatchewan Gaming Corporation (SGC) is a Treasury Board Crown Corporation established by *The Saskatchewan Gaming Corporation Act, 1994*. It was created to operate Casino Regina in partnership with the Federation of Saskatchewan Indian Nations.

Casino Regina is a full-service entertainment facility, employing over 600 people. Casino Regina offers 620 slot machines and 37 tables, a restaurant and Show Lounge, and a gift shop.

The following information provides details of the corporation's financial performance for the period April 1 to June 30, 2001, with comparable figures for the same period last year.

SGC's financial performance continued to improve during the first three months of 2001. While table revenues decreased 5.6%, slot revenues increased by 14.1% contributing to an overall increase in net revenues of 8.9%.

The pay-out percentage on slot machines has remained stable at 93%.

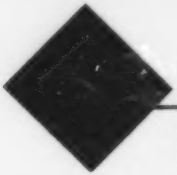
Direct expenses for the period increased 5.4% over the same period last year. This increase reflects mainly additional expenditures related to salaries, with increased staffing to improve service on the gaming floor. This was offset with a 34.4% decrease in indirect expenses, which reflect the full repayment and amortization of the original casino equipment and the completion of the initial five-year Holland Casino consulting contract.

Net income is up 31.6%, or $1.9 million over the same period last year.

ASKATCHEWAN GAMING CORPORATION

Consolidated Statement of Operations
For the three months ended June 30, 2001
(Unaudited)

	2001	2000
Revenue:		
Slot Machines	$ 14,171,414	$ 12,420,492
Table Games	2,127,111	2,252,227
Other Revenues	1,144,196	1,102,878
	17,442,721	15,775,597
Less promotional allowances	926,880	616,198
	16,515,841	15,159,399
Expenses:		
Casino and Administration	5,451,693	5,199,941
Contractual Obligations	650,000	650,000
Ancillary services	808,736	706,106
	6,910,429	6,556,047
Earnings before the following:	9,605,412	8,603,352
Interest	480,557	537,544
Taxes	534,874	657,343
Amortization	689,177	1,018,395
Consulting	---	384,563
	1,704,608	2,597,845
Net income	$ 7,900,804	$ 6,005,507



ASKATCHEWAN GAMING CORPORATION

Consolidated Statement of Financial Position
As at June 30, 2001

	2001	2000
Assets		
Current assets:		
Cash and short-term investments	$ 14,534,577	$ 11,347,543
Accounts receivable	370,127	128,200
Inventory	141,706	157,410
Prepaid expenses	319,591	300,160
	15,366,001	11,933,313
Deferred charges	---	263,273
Capital Assets	35,516,746	29,461,952
Total Assets	$ 50,882,747	$ 41,658,538
Liabilities and Retained Earnings		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,293,297	$ 2,927,563
Current portion of long-term debt	1,690,417	3,314,729
	5,983,714	6,242,292
Long-Term Debt	28,783,093	23,097,822
Less: current portion	(1,690,417)	(3,314,729)
	27,092,676	19,783,093
Due to GRF from previous year	9,905,553	9,627,646
Current year's net income	7,900,804	6,005,507
Total Liabilities and Retained Earnings	$ 50,882,747	$ 41,658,538